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Utah Law Makes Coins Worth Their Weight in Gold (or Silver)

By WILLIAM YARDLEY

FARR WEST, Utah — Most people who amass the pure gold and silver coins produced by the United States Mint do so for collections or investments, not to buy Slurpees at 7-Eleven.

“You’d be a fool,” Tom Jurkowsky, a spokesman for the Mint, said of the Slurpee idea, “but you could do it.”

After all, while the one-ounce [American Eagle coin](#) produced by the Mint says “One Dollar,” it is actually worth more like \$38 based on the current price of silver. (An ounce of gold is worth more than \$1,500.)

Now, however, Utah has passed a law intended to encourage residents to use gold or silver coins made by the Mint as cash, but with their value based on the weight of the precious metals in them, not the face value — if, that is, they can find a merchant willing to accept the coins on that basis.

[The legislation](#), called the Legal Tender Act of 2011, was inspired in part by [Tea Party](#) supporters, some of whom believe that [the dollar](#) should be backed by gold or silver and that Obama administration policies could cause a currency collapse. The law is the first of its kind in the United States. Several other states, including Minnesota, Idaho and Georgia, have considered similar laws.

Mr. Jurkowsky said the new law “is of no real consequence,” and is purely symbolic, but supporters say it is more than political pocket change. They say that it is just a beginning, that one day soon Utah might mint its own coins, that retailers could have scales for weighing precious metals and that a state defense force could be formed to guard warehouses where the new money would be made and stored.

“This is an incremental step in the right direction,” said Lowell Nelson, the interim coordinator for the [Campaign for Liberty](#) in Utah, a libertarian group rooted in Ron Paul’s presidential campaign. “If the federal government isn’t going to do it, then we here in Utah ought to be able to establish a monetary system that would survive a crash if and when that happens.”

Utah has a strong conservative streak, but there are other reasons why it was first to pass such a law.

For many of its supporters, the new law represents an extension of the notion of preparedness that is nurtured by Utah’s powerful founding institution, the Church of Jesus Christ of Latter-day Saints. Many of the law’s supporters believe policies like stimulus spending, the bank bailout and national health care will soon bankrupt the government, sending inflation soaring. Owning gold and silver, they say, will help protect people.

“It’s kind of written into our theology that we’re supposed to be prepared for any eventuality,” said Mr. Nelson, who was involved in early meetings with state lawmakers about the law.

Wayne Scholle, the marketing director for Old Glory Mint, in Spanish Fork, Utah, showed off a commemorative silver coin the company made honoring the new law, one he said he hoped could be a model for a future state-minted coin. The front — or obverse — includes an image representing “the miracle of the gulls,” an important story in Mormon folklore in which seagulls are said to have suddenly appeared and eaten insects that were destroying the first crops Mormon settlers raised, a year after arriving in Utah in 1847.

“Their messaging is spot on with this,” Mr. Scholle said. “It’s preparedness. It’s protecting yourself.”

Old Glory is not the only company that hopes to benefit. Craig Franco, a coin dealer south of Salt Lake City, said he was finishing an arrangement with a bank to create a depository through which people will be able to spend their gold and silver indirectly, by using a Visa credit card that makes charges against the value of their holdings. Mr. Franco noted that state law, for now, left it to the private sector to figure out how conducting business with gold and silver should work.

“The regulation of the system?” Mr. Franco said. “There is no regulation of the system. We are working out the nuances of it.”

Mr. Franco is among several supporters who say the law’s most important feature may be that it eliminates state capital gains taxes on the sale of gold and silver, a move he thinks will prompt individuals and large scale investors outside the state to move their gold and silver to Utah. But federal capital gains taxes would still apply.

“I would hope the federal government would simply concede: ‘O.K., you’re right, it’s money, so we can’t tax it,’ ” said Larry Hilton, a lawyer and insurance broker who first took the idea to lawmakers. “But that may not happen.”

Article 1, Section 10 of the Constitution says no state shall coin money, though Mr. Hilton and some others argue that a phrase used later, saying no state shall “make anything but gold and silver coin a tender in payment of debts” can be read as a license for Utah’s new law and, perhaps, for a state’s right to mint its own coins.

A spokesman for the Mormon church would not comment on the Utah law, but said in a statement that the church’s teachings related to preparedness were “simply a matter of encouraging people to practice sound principles of provident living and to save for a rainy day.”

State Representative Brad Galvez, the freshman Republican who sponsored the bill at the request of party leadership, said he was “not trying to push back against the federal government” but simply to “create an alternative” to the dollar that lawmakers hoped might send a message to Washington about fiscal policy. He noted that the law does not require businesses to accept gold or silver, but only gives them a choice.

Much of the logic of the law is rooted in the belief that the dollar is at risk and that gold and silver, coined around the world for thousands of years, are enduring, stable investments. That, too, is in dispute.

“From an investment standpoint, I’ve always found that if something is heavily advertised on television, it’s not a good thing to do,” said Gary P. Brinson, a philanthropist who spent 40 years as an investment strategist. “Right now, it’s hard to find anywhere on television where you don’t see gold and silver being advertised.”

For all the excitement, so far, it is hard to find anyone who is using gold or silver to buy anything. But here in Farr West, about 40 miles north of Salt Lake City, there is at least some precedent for such transactions.

Decades ago, the rambling Smith and Edwards store, a kind of giant 7-Eleven from the Old West that sells everything from survival kits to sporting goods and copies of the Constitution, had a special sale, offering a very favorable rate if people made purchases with “junk silver” dollars and half dollars. In the 1980s, the store sold a man a \$1,200 air compressor for a little less than 4 ounces of gold, recalled Bert Smith, one of the owners, who is now 91.

Mr. Smith said that he liked the new law, and that he was ready to accept silver and gold. But he does not expect to see much brought to his registers.

“I don’t suppose there’s going to be a big run on it,” Mr. Smith said, “because people are going to hang on to their gold and silver more than ever.”